

{As Prepared for Delivery}

**Iowa Community Conference
Washington, D.C.
November 15, 2005**

[Event focuses on renewable energy. Congressman Tom Latham is the sponsor. Senator Grassley will lead off, followed by Tom Dorr, Doug Faulkner, and Bob Dineen. 5-7 minute presentations followed by Q&A] About 100 in attendance.

Thank you, Tom, and thank you, Senator Grassley, for leading us off today.

It's always a temptation when following Senator Grassley, especially on something like ethanol and renewable energy, to stand up, say "Ditto," and then sit back down.

There has been no greater champion over the years for renewable energy than Chuck Grassley, and the program we have today at USDA certainly reflects his understanding and leadership on this critical issue.

It's great to be here today. Tom [Latham] and I go way back, and looking around the room, it looks like a hometown meeting. I know

most of us here are on the same wavelength, certainly on ethanol and a lot else besides.

As an old Iowa farmer, I've been on the ethanol bandwagon for many years. As have so many of you. The technological potential has not always been self-evident. The potential benefits to producers have always been there. The national security benefits have always been there.

But all along, the countervailing issue has been price. That's true of the other renewables as well, not just ethanol. But now it's changed. The renewable train is leaving the station. The reason is still price. Markets are making the call – markets drive everything.

There's a lot of history to this, as you know:

- **Richard Nixon called for energy independence over 30 years ago. Jimmy Carter said we should make energy efficiency the moral equivalent of war.**

- **Every President since I was a young man – and I regret to say, that now begins to be awhile – has said roughly the same things about renewable energy. Yet the first major policy statement of the Bush Administration was on energy. President Bush has been a passionate advocate for renewable energy.**
- **Congress over the years has invested very steadily in research, development, and demonstration projects designed to move renewables along.**
- **Every agency in government, at least at the federal level, has an in-house energy program.**
- **This has been a priority for a long time. Republicans, Democrats, liberals, conservatives, we're all for conservation and renewables -- at least in theory, and as long as someone else is paying.**
- **But meanwhile, we all pay attention to the price at the pump. And the blunt fact has been that oil was abundant and cheap. As**

recently as 1998, oil dropped as low as \$12.52 a barrel. At that level, most of the renewables were priced out of the market.

But things have changed. China and India are industrializing and discovering the automobile. That's a good thing, by the way; none of us wants a world in which two thirds of the human race is impoverished. But it probably means \$12 a barrel oil is not coming back.

That leaves us with some serious adjustment issues. Energy is just one of those, but it's an important one. And as usual, there are opportunities as well as costs in the change.

Our job at USDA Rural Development is to help producers and rural communities seize those opportunities. We are an investment bank. Since President Bush took office, we've invested over \$63 billion in rural infrastructure, housing, community facilities, and business. Those investments have created or saved over 1.1 million jobs.

As we look at potential engines for growth in rural America, renewable energy, along with broadband and quality of life, is at the top of the list.

When it comes to renewable energy, we're in an interesting position.

Our mission is to increase economic opportunity and improve the quality of life in rural communities.

To do that, we're looking for leverage, for the biggest bang for the buck.

We're looking at commercial viability. We're way beyond the research and development stage. We look at market signals.

That means, for example, that we don't have an ethanol program in one office, a wind program in a second, and a solar program in a third.

Instead, we have a renewable energy program in which wind, biomass, solar, and geothermal applications all compete head to head.

Ethanol is now far enough along that ethanol investments compete in our broader Business and Industry (B&I) Loan Guarantee Program.

That means a proposed ethanol plant goes head to head with manufacturing, retail, transportation and distribution, and service

businesses. To be funded by us, ethanol has to be investment-worthy in competition with other business sectors.

This makes us like the canary in the coal mine. We're an early warning system. When our process is producing increasing investment in renewable fuels, it's a clear sign of where the markets are leading us.

So let me close with a brief capsulization of where we are. Since 2001, USDA Rural Development has invested over \$190 million overall in renewable energy projects.

- The biggest chunk of that, \$94.7 million, has been through our B&I program, and that's mostly ethanol. We've played a role in bringing ethanol along to the liftoff stage, but now the investment is coming from many different sources as well. And that's great.**
- The second largest chunk is our Section 9006 program, the Renewable Energy and Energy Efficiency Program, which was created by the 2002 Farm Bill. It's new. It gives you a quick but pretty accurate snapshot of where the markets are today:**

- **We've made a total of 273 grants in FY '03, '04, and '05.**
- **125 of those, totaling over \$29 million, are wind projects.**
- **122, totaling over \$31 million, are biomass, mostly digesters but also some direct combustion.**
- **The remainder include 17 solar projects, 4 geothermal projects, and 5 hybrids.**

We're also supporting renewables through our Rural Business Enterprise Grant Program, the Rural Business Opportunity Grant Program, the Rural Economic Development Loan and Grant Program, and the Value Added Producer Grant Program.

If you're keeping track and want to impress your friends, that's RBEG's, RBOG's, REDLG's, and VAPG's, in addition to the B&I's and 9006's I mentioned earlier. What would government be without acronyms?

But that's another sign renewables are coming of age. They're winning investment from Rural Development across the spectrum in all of these programs – which are all competitive in nature.

Bottom line, ethanol, wind, and biomass are way out in front. That's what the market is telling us today. Tomorrow it may shift.

But whether it's solar in New Mexico ... or ethanol in Iowa ... or wind farms in Minnesota ... or digesters anywhere there's cattle ... energy is emerging as America's newest cash crop.

That's good for producers. It creates investment and job opportunities in rural communities. It diversifies the rural economy. It lessens our dependence on imported oil. And if it makes sense in the marketplace, as it now does, that's a win-win-win-win proposition.

We're excited to be a part of it, and we look forward to working with you to keep renewables moving ahead. The next Farm Bill will be written in 2007, so it's not too soon to start thinking about this. We've worked for this for a long time. Now the payoff is here. Thank you.